

FEBRUARY 1983

Decorative Products

W O R L D

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RETAILER SURVEY RESULTS:
"NOWHERE TO GO BUT UP"

FRONT-END RETAIL COMPUTERS

Decorative Products

W O R L D

Serving volume outlets for paint, wallcoverings
and related merchandise

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Nowhere To Go But Up!

After A Year Of Declines, Retailers Feel They've Touched Bottom

Through most of 1982 a significant number of decorative products retailers experienced the sinking, panicky feeling of the deep sea diver who keeps waiting to touch bottom and doesn't.

For some retailers, the decline was so rapid it must have caused a sense of vertigo. For others, it was more like running in place or being mired in the mud. But the good news in the *Decorative Products World* poll of its readers, conducted in November-December 1982, is that retailers of all types indicated that for the first time in a long while, they feel that the ground below them is firming. They looked forward to 1983 with a mixture of relief and cautious optimism. They tended to project modest gains for 1983, but as some retailers noted in their comments, things couldn't get much worse. The economy had to improve sooner or later; there is nowhere else to go but up. As well as a sign of retailer's hopes, "nowhere but up" could prove to be 1983's rallying cry.

Table 1 above shows the results of the survey in regard to 1982 anticipated decorative product sales. Slightly over 50 percent said that they felt that 1982 sales (adjusted for inflation) would be up over 1981, but a quarter of the 503 respondents said that sales would be down and the rest anticipated no growth over 1981—which was no barn burner either as far as decorative products sales are concerned.

While 3.1 percent said sales at their stores were "booming" and 21.2 percent cited "above average" sales, most respondents indicated that sales were "average" or below. The annual *Decorative Products World* Reader Survey covers all types of retailers selling all types of decorative products. **Table 2** on page 39 shows the average, per-store sales of decorative products for the eight categories of decorative products stores identified in the survey: independent decorative product specialty stores, paint-

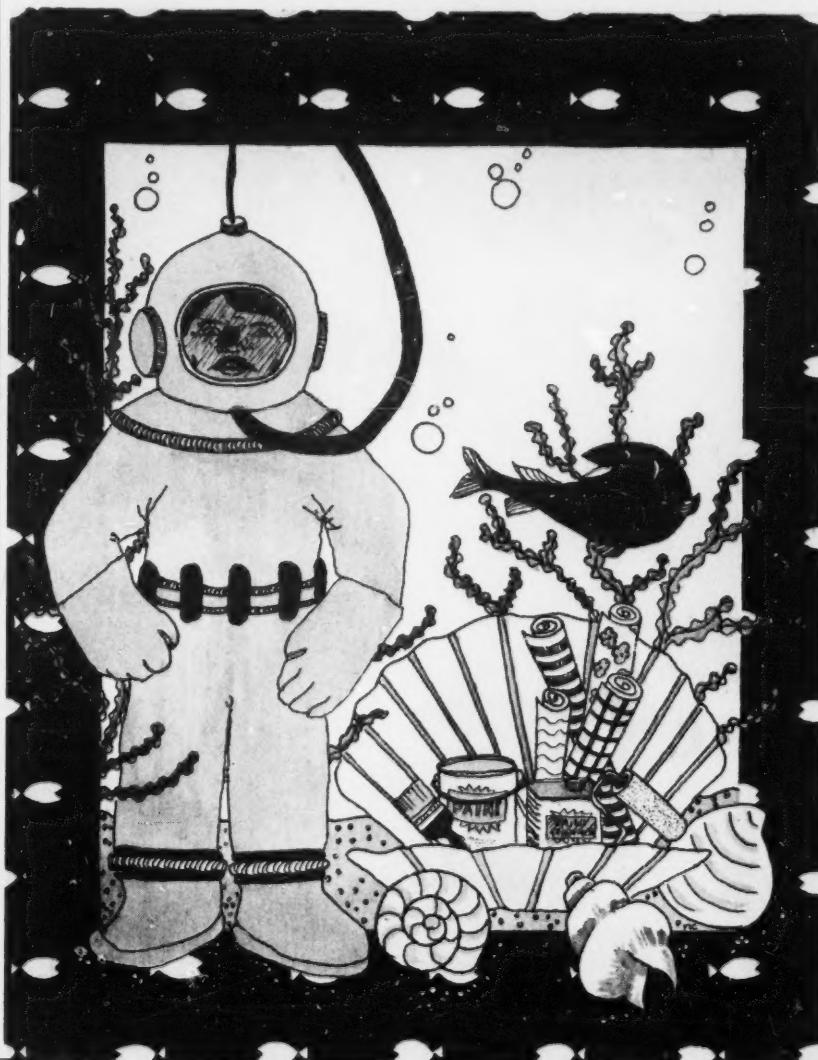
TABLE 1

**Decorative Products
1982 Sales**

Increased	50.3%	Booming	3.1%
Decreased	26.3%	Above Average	21.2%
Stay the same	23.4%	Average	43.5%
		Below	27.6%
		Poor	4.6%

manufacturer-owned decorative product specialty stores, hardware stores, lumber and building supply stores, home centers, mass merchandisers and others. Once again this year, the paint-manufacturer-specialty stores led other store categories in per-store sales (although the average this year was slightly below last year). Table 2 also shows the amount of space at each store allotted for decorative products display.

Looking ahead into 1983, retailers were, for the most part, optimistic



(Table 3). Over 65 percent of independents, for example, projected an average sales increase of 7.3 percent while 78 percent of the paint-manufacturer specialty stores anticipated an average increase of 10.1 percent. Only 4.9 percent of the manufacturer store respondents anticipated an average of 5.2 percent decrease. Just over 17 percent foresee sales remaining the same.

Retailers were, in general, more optimistic about the cost of the goods they sell than they have been in some time. Instead of the double-digit increases retailers have anticipated in past recent *DPW* surveys, retailers were obviously anticipating that the more moderate rates of inflation the nation has experienced for the last several months are here to stay for awhile (Table 4). All but two classes of decorative products retailers projected average increases in cost of goods sold of under six percent and lumber and building supply stores were just barely above six percent.

In the pages that follow, the results of other aspects of the 1982-83 *Decorative Products World Reader Survey* are presented. As we promised last year, an attempt has been made to simplify the presentation of the survey data this year so that it all does not seem quite so overwhelming. Other data elicited in the survey will be presented in future issues of *DPW*. In the meantime, we hope that the information presented in this issue will help retailers make sense of what has been happening in the decorative products markets over the last year.

TABLE 2

	Average Estimated 1982 Decorative Product Sales Per Store	Average Square Feet of Deco. Products Display
Independent Decorative Product Specialty Stores	\$386,456	2,399
Paint-Manufacturer-Owned Specialty Stores	\$582,900	2,231
Hardware Stores	\$127,900	1,388
Lumber & Building Supply	\$182,175	1,803
Home Centers	\$225,200	2,202
Mass Merchandisers	\$406,818	3,500
Floorcoverings Stores	\$275,000	1,100
Others	\$336,025	2,097



TABLE 3

In 1983 Decorative Product Sales Should . . .

	Average Increase	Average Increase	Average Decrease	Average Decrease	Stay the same
Independent Decorative Prod. Specialty Stores	65.4%	7.3%	3.3%	6.8%	31.3%
Paint-Manufacturer- Owned Specialty Stores	78.0%	10.1%	4.9%	5.2%	17.1%
Hardware	64.1%	7.6%	1.6%	3.4%	34.3%
Lumber & Building	47.8%	8.2%	4.4%	10.5%	47.8%
Home Centers	80.0%	8.2%	4.0%	7.8%	16.0%
Mass Merchandisers	50.0%	15.0%	—	—	50.0%
Floorcoverings	60.0%	19.2%	20.0%	15.0%	20.0%
Other	72.7%	11.3%	6.1%	9.8%	21.2%

TABLE 4

1983 Cost of Goods Sold

% Increase Anticipated

Independent Decorative Product Specialty Stores	5.7%
Paint Manufacturer-Owned Specialty Stores	5.3%
Hardware	2.7%
Lumber & Building	6.2%
Home Centers	3.9%
Mass Merchandisers	2.5%
Others	9.9%

TABLE 5 — % of 1982 Sales

PRODUCTS	Paint-Manufacturer		Hardware	Lumber	Home Center	Mass Merchandiser	Floor-coverings
	Independents	Owned					
Paints & Coatings	40.3	59.4	45.7	44.8	33.9	28.8	8.0
Paint Sundries	8.2	13.1	18.2	16.2	12.3	8.8	2.5
Chemical Specialties	12.3	4.0	27.7	8.2	10.4	8.8	6.5
Wallcoverings	23.8	10.1	6.8	2.6	13.9	13.8	21.5
Floorcoverings	7.3	2.0	0.9	6.3	26.7	37.5	45.0
Arts & Crafts	4.2	0.2	0.8	2.2	2.2	2.3	0.5
Window Treatments	3.6	—	—	—	—	—	—
Other	0.3	11.2	0.2	0.6	0.6	—	16.0
CUSTOMERS							
DIY	47.7	37.5	72.5	47.4	65.6	85.0	52.5
Painting & Decorating Cont.	16.9	19.2	7.4	23.3	6.5	7.0	13.9
Other Contractors	12.7	15.2	8.8	17.2	20.2	—	16.6
Institutional Industrial & Commercial Accounts	15.2	23.3	7.2	7.6	5.5	6.8	13.0
Other Dealers	7.5	4.8	4.1	4.5	2.2	1.2	3.0

PRODUCT/CUSTOMER SPECIALIZATION

Survey Reveals Continuing Shift Away From Contractors To DIY Market

The percentages of 1982 decorative product sales by product type and customer type are shown in **Table 5** above for each of the major store categories.

Paint manufacturer specialty stores as a group indicated that painting and decorating contractors as a percentage of sales declined significantly in 1982, but that should come as no surprise considering the changes in the contractor market segment last year (see report, this issue). The averages also showed that institutional, commercial, and industrial accounts were higher as percentage of sales in 1982 as were decorative product sales to "other" types of contractors. A number of paint-manufacturer specialty chains announced plans to shift more emphasis to DIY sales during 1982, so the decline in sales to painting and decorating contractors was not unexpected.

The 47.7 percent average for DIY sales was also higher than the 42.2 percent average for the independent specialty stores reported last year.

For the independents, in particular, window treatments continued to be a growth market in 1982. When one factors in the higher percentage of independent decorative product specialty stores selling window treatments with the higher percentage of overall sales window treatments constituted for independents in this year's survey, that product category averages about 3.6 percent of overall sales at independent decorative product stores. That percentage will probably continue to grow in future surveys. Window treatments led again this year as the product category independents said that they would probably be adding in 1983.

In addition to pointing up trends to watch in the decorative products markets, Table 5 helps to show the areas of product and customer specialization for each type of decorative products store. The paint manufacturer specialty stores led other store categories again this year in the average for paints and coatings as a percentage of overall sales.

Next to paint, wallcoverings were

a higher percentage of overall 1982 sales at the independent specialty stores than at other types of stores selling decorative products. Hardware stores and lumber and building supply stores indicated that they derive a relatively small portion of overall decorative products sales from wallcovering. Home centers, on the other hand, showed an increase in the average percentage of wallcoverings sales relative to other kinds of decorative products.

Mass merchandisers were the store category with the highest percentage of DIY decorative products sales, followed by hardware stores and home centers.

The "other" category in this year's survey was a mixture of interior design showrooms, window treatment specialty stores, crafts shops, home furnishings stores, and bathroom accessory stores. In all, about 7,000 randomly selected retailers on *Decorative Products World's* reader list were sent four-page survey forms in late November of 1982. ■

WALLCOVERINGS

Investment, Margins Higher In Stocking

For the first time, *Decorative Products World* in 1982 asked respondents to indicate their dollar investment in wallcoverings stock and in sample books in 1982. **Table 6** shows this aspect of the survey.

Because of the interior design showrooms included in the "other" category, the average dollars investment in wallcovering inventory (at \$15,938) for "other" was the highest recorded followed by the independent specialty stores (\$15,120), floor-coverings stores (\$14,500) and home centers (\$10,188). As a group, independents indicated that they are not inclined to sell wallcoverings from stock only; however, 45.4 percent said that they sell from both stock and sample books. Fifty-four percent indicated that they only sell from sample books.

The dollar investments for stocking retailers tended to be higher in all categories of stores, but as **Table 7** (bottom right) indicates retailers in all categories also tended to show higher margins on in-stock wallcoverings than on merchandise that had to be ordered. In the case of independents, the differences in the averages for in-stock wallcoverings versus ordered merchandise was over 11 percent (42.9 minus 31.6 percent). In the case of paint manufacturer specialty stores, the difference was 9.5 percent. Only home center stores, which are known for discounting in-stock wallcoverings heavily, had a higher average margin on orders than on in-stock wallcoverings.

Table 7 also shows the average

TABLE 6
Wallcoverings Department

	Sample Books			Average \$ Investment	
	Stock Only	Only	Both	Stock	Books
Independents	0.6%	54.0%	45.4%	\$15,120	\$3,920
Paint-mfg.					
Owned	0.0%	57.8%	42.2%	\$ 6,167	\$ 304
Hardware	4.5%	81.8%	13.7%	\$1,625	\$ 406
Lumber & Building	7.7%	77.0%	15.3%	\$3,833	\$ 929
Home Center	8.0%	68.0%	24.0%	\$10,188	\$1,014
Mass Mer.	—	100.0%	—	—	—
Floor-coverings	40.0%	40%	20.0%	\$14,500	\$1,812
Other	7.7%	65.4%	26.9%	\$15,938	\$1,062

TABLE 7

	Average # Of Books	Margins On Stock	Margins On Orders
Independents	269	42.9%	31.6%
Paint Manufacturer-Owned	203	41.2%	31.7%
Hardware	114	40.0%	36.9%
Lumber & Building	80	41.7%	34.1%
Home Centers	116	31.6%	37.7%
Mass Merchandiser	25	—	—
Floorcoverings	175	55.0%	30.8%
Other	220	45.0%	32.1%

number of sample books carried by each category of store. Again the independent decorative products specialty stores led other store categories in the number of books carried (269).

PAINT

Modest Projections For 1983 Growth

The average gross margin on paint sales for respondents in the 1982-83 *Decorative Products World* Reader Survey tended to be lower than on wallcoverings.

The highest average margins on paint sales were reported by mass merchandisers (55 percent); the lowest by respondents in the "other" category (25 percent). Very few of the stores lumped into the other category carried paint, however. As



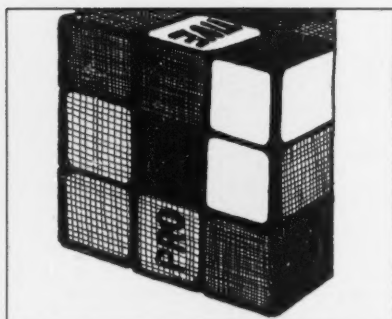


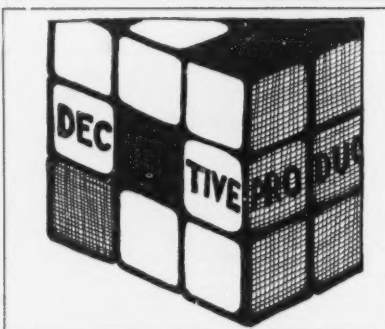
Table 8, above right, indicates, the average margins on paint sales for most categories of decorative products stores was around 30 percent.

Independent decorative product specialty stores carried an average of 1.8 full paint lines in the 1982-83 survey. The average dollar investment in paint inventory reported by independents was also the highest recorded, followed closely by the \$31,607 average for paint-manufacturer specialty stores. The paint manufacturer stores, as expected, indicated that they, on average, handle only 1.3 full paint lines. Most paint-factory-owned stores carry the company's own lines, of course, but some do supplement with paint lines from other manufacturers. Floor-coverings stores indicated that they carry an average of 0.8 full paint lines and the \$8,250 average paint inventory figure for floorcovering stores was the lowest among the store categories.

Looking ahead into 1983, retailers tended to be fairly conservative in their projections of real paint sales growth. Those expecting an increase in paint sales projected an average rate of increase of nine percent during 1983. Those expecting a paint sales decline said that the decline would average about 5.6 percent.

	Average # Of Full Lines	Average Paint Inventory	Average Gross Margin	1983 Sales Projection
Independents	1.8	\$34,092	31.4	+ 1.8%
Paint Manufacturer-Owned	1.3	\$31,607	33.6	+ 0.7%
Hardware	1.6	\$19,991	33.5	+ 2.1%
Lumber & Building	1.5	\$22,184	27.5	+ 1.0%
Home Centers	1.3	\$19,298	33.1	+ 5.5%
Mass Merchandisers	3.0	\$23,500	55.0	+ 7.5%
Floorcoverings	0.8	\$ 8,250	33.3	+ 1.9%
Other	2.1	\$28,277	25.0	NC*

+ 9 % For those Expecting Increase
- 5.6% For those Expecting Decrease
*No Change



Well over half of the respondents in the survey foresaw no change in paint sales during 1983. When projections for increase or decrease are factored together for each of the store categories, the overall increases projected look very modest. Independents, as a group, indicated

that paint sales will increase by only 1.8 percent in 1983 and paint manufacturer store respondents foresaw an even more modest 0.7 percent rise. Home centers and mass merchandisers were the most optimistic in regard to paint sales growth.

Table 9 (below) shows that paints and coatings will still be the product category to which most types of decorative products stores devote the highest amount of promotional attention in 1983. Respondents were asked what products they planned to promote most heavily in paid advertising during 1983. Some respondents mentioned more than one product category and each response was counted in the survey tabulation. The percentages shown reflect the number of mentions each category received. Home decorative merchandiser is a catch-all category in this part of the survey which included window treatments, carpeting, picture frames, decorative mirrors, floor and wall tile and shelf edging.

TABLE 9
Products That Will be Most Heavily Promoted in 1983

	Independents	Paint- Manufacturer Owned	Hardware	Lumber	Home Centers
Arts & Crafts	2.9%	4.7%	1.5%	4%	—
Chemical Specialties	—	—	3%	—	—
Paint and Coatings	64.7%	79.0%	69.7%	64%	36.8%
Home Decorative Merchandise	28.8%	23.2%	3%	12%	28.9%
Tools, Equipment and Supplies	1.2%	4.6%	16.7%	—	2.6%
Wallcoverings	38.7%	30.2%	4.5%	12%	18.4%
Other	2.9%	2.3%	1.5%	8%	13.3%

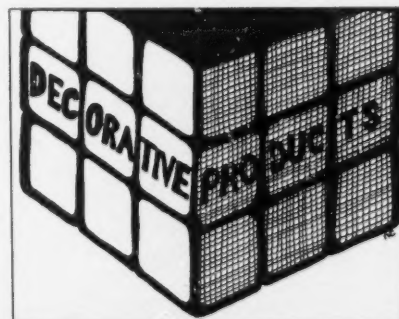


TABLE 10
In 1983, do you plan to . . .

	Independents	Paint- Manufacturer Stores	Hardware
Open a new store?	4.2%	11.9%	3%
Expand an existing store?	9%	2.4%	9.2%
Remodel an existing store?	15%	9.5%	13.8%
Move to a new location?	6%	4.8%	3%
None of the above?	65.8%	71.4%	71%

Survey respondents were asked whether they planned to open a new store, expand or remodel an existing store or move to a new location during 1983.

If the results shown in **Table 10** are any indication, 1983 promises to be a pretty active year for retailers of decorative products. The percentages shown are a little misleading since some respondents indicated that they would be undertaking more than one major activity in 1983 and all responses were tabulated in the survey results. Some respondents said that they would be both opening a new store and expanding an existing store, for example. This aspect of the 1982-83 *Decorative Products World* survey was refreshing in that it demonstrated that decorative products stores were not taking the recession passively.

Table 11 (center left) shows the results from a survey questionnaire regarding whether respondents rented equipment or not. Respondents were also asked what types of equipment they rent and the results from that aspect of the survey will be reported in a future issue of *Decorative Products World*.

Table 11 also shows the percentages of respondents in each store category who indicated that their store or department employed a decorator or interior designer. The right column in Table 11 shows the average number of employees per store.

Respondents were asked to rate their "toughest" competitor in 1982. The results shown in **Table 12** should be read vertically rather than horizontally. In other words, 14 percent of the independent decorative product stores rated other independents as their "toughest" competition while 18.7 percent rated paint-manufacturer specialty stores as their toughest competitors. Twenty percent rated mass merchandisers as the "toughest" while 26.7 percent used the term, "discounter." ■

TABLE 11

	Rent Equipment	Employ A Decorator	Average # of Employees
Independents	66.3%	33.5%	4.2
Paint-Manufacturer Stores	51.6%	26.2%	3.9
Hardware Stores	65.1%	4.4%	10.8
Lumber & Building	50. %	4.3%	9.3
Home Centers	52.9%	19.4%	12.2
Floorcoverings	50%	20%	2.5
Other	25%	38.9%	8.4

TABLE 12
Greatest Competitors

	Independent	Paint	Hardware	Lumber	Home Center
Independents	14%	23.1%	8.3%	5.6%	11.5%
Paint Manufacturer	18.7%	41.0%	3.3%	16.6%	11.5%
Hardware	2%	2.6%	11.7	—	—
Lumber & Building	3.3%	—	1.7%	27.8%	3.8%
Home Centers	0.7%	2.6%	5.0%	5.6%	7.7%
Mass Merchandisers	20%	12.8%	21.7%	16.6%	19.2%
Discounters	26.7%	10.3%	40%	16.6%	34.6%
Others	14.7%	7.7%	8.3%	11%	11.5%